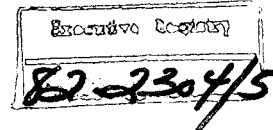


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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

DDI-5411-82
30 June 1982

MEMORANDUM FOR: Director of Central Intelligence

FROM:

Acting National Intelligence Officer for
Western Europe

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SUBJECT: Reactions and Likely Response to the Extension
of US Sanctions

1. The Europeans will not abandon a search for ways to complete the contracts they hold with the Soviet Union for pipeline-related equipment.

2. Some companies, West Germany's AEG-Kanis, for example, may be more reluctant than others to challenge the US sanctions directly, but all will one way or another seek legal tests of the extra-territorial and applicability-to-prior-contract aspects of the regulations.

3. Whatever the fate of the pipeline-related contracts, several other consequences of the sanctions decision should be noted:

-- There are already references to contracts being diverted from US firms out of concern that export licenses for sale to the USSR might be denied.

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-- The decision was specifically mentioned by the EC in opposing the inclusion of a US initiative on high technology on the agenda for this fall's GATT ministerial.

-- Several responsible sources have alleged that the US decision will probably adversely effect such popular support as exists for INF deployment.

4. The Europeans are by and large not taking, nor advocating, a confrontational approach to the US over the new sanctions. (The EC summit statement on EC-US relations is the best illustration of this.) The Europeans intend, however, that this non-alarmist demeanor reinforce the seriousness with which they view the action.

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-- Some really believe that since (in their view) the sanctions will not harm the Soviets very much, the action was intended mainly to hurt the Europeans.

-- They not only fear inauguration of "economic warfare" against the Soviet Union (for which the Europeans will ultimately have to pay), but also a trans-Atlantic trade war. Some do not believe the conjunction of the pipeline sanctions with increased US "attacks" on the CAP, and anti-dumping actions against steel, is accidental.

5. Despite a perception that, somehow, the various US moves all originate from an aggressive mood -- if not a deliberate strategy -- in Washington, the Europeans do not want to "globalize" negotiations about them. Their intention to seek consultations is aimed at rational discussion of each issue on its own merits.

6. The "quiet" European approach should not lead us to believe the Europeans will not seek legal tests of the sanctions nor refrain from seeking to put the political burden on the US for a worsened atmosphere for US-European relations.

7. A "concerted" European response to the sanctions will probably develop piecemeal and not as a fully articulated policy decision. (We do not yet have, however, reports of a meeting among British, French, German, and Italian economic officials who were to discuss responses to the sanctions on the sidelines of the EC summit.)



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